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FISCAL IMPACT STATEMENT

LS 7661

BILL NUMBER: HB 1250

NOTE PREPARED: Jan 4, 2005

BILL AMENDED:

SUBJECT: Redevelopment Authorities.

FIRST AUTHOR: Rep. Friend

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that the jurisdiction of certain redevelopment authorities in counties with a military base that is inactive, closed, or scheduled for closing may include the entire county. The bill increases the maximum number of the authority's board of directors from seven to 11. The bill also provides that a nonprofit economic development corporation may convey its assets and liabilities to the authority. It specifies that the authority may change its name to recognize its countywide jurisdiction.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: *Military Base Tax Incentives:* The bill would allow the jurisdiction of a redevelopment authority established in connection with a closed military base to be expanded to include the entire county where the redevelopment authority is located. The county legislative authority would have to adopt an ordinance to expand jurisdiction of a military base redevelopment area county wide. This could potentially increase the number of taxpayers qualifying for tax incentives relating to business investment on closed or inactive military bases. Currently, the redevelopment authority for Grissom AFB in Miami County would qualify for the jurisdictional expansion provided for under the bill. The potential fiscal impact of expanding the jurisdiction of this redevelopment authority is indeterminable. The military base tax incentives under current statute are as follows:

(1) The Military Base Recovery Tax Credit for qualified investment expenditures to rehabilitate vacant buildings at a military base recovery site established by the military base redevelopment authority. The credit

may be claimed against state Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, or Financial Institutions Tax liabilities.

(2) The Military Base Investment Cost Credit for equity investment or debt financing in a business that locates all or part of its operations to a military base recovery site or an economic development area established by the military base redevelopment authority. The credit may be claimed against the state AGI Tax liability.

(3) A Sales Tax exemption for utility services purchased by a business that relocates or expands all or part of its operations to a facility in a military base recovery site or an economic development area established by the military base redevelopment authority. The business must use the utility services within 5 years of commencing operations in the facility.

(4) A reduction in the state AGI Tax rate from 8.5% to 5% for a corporation that locates all or part of its operations to a military base recovery site or an economic development area established by the military base redevelopment authority. The rate reduction applies only to income derived by the corporation from sources within these areas during the taxable year in which the corporation located or expanded operations and the next four succeeding taxable years.

Revenue from the corporate AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). Sales Tax revenue is deposited as follows: 49.192% to the state General Fund; 50% to the Property Tax Replacement Fund; 0.635% to the Public Mass Transportation Fund; 0.14% to the Commuter Rail Service Fund; and 0.033% to the Industrial Rail Service Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Tax Increment Financing (TIF)*: The bill could potentially expand the use of tax increment financing (TIF) throughout Miami County. The bill would allow the jurisdiction of a military base redevelopment authority to be expanded to include the entire county in which it is located.

The county legislative authority would have to adopt an ordinance to expand jurisdiction of a military base redevelopment area county wide. Miami County would be affected by this change since a military base redevelopment authority currently operates for purposes of redeveloping Grissom AFB.

Current statute permits the use of tax increment financing (TIF) by a military base redevelopment authority within an economic development area it creates. The redevelopment authority may designate all or part of an economic development area as an allocation area (TIF district). In the allocation area, taxes paid on the real property AV which is over and above the base AV would be captured and allocated to the redevelopment authority. The base AV includes the AV on the assessment date immediately prior to the effective date of the resolution creating the allocation area. The allocation area does not affect total tax revenue to local civil taxing units and school corporations, except for cumulative funds, since AV growth does not generate more tax levy for these entities. The cumulative funds, however, receive less tax levy growth than would otherwise be the case due to allocation areas, since they have set tax rates that would generate more tax levy from AV growth.

State Agencies Affected:

Local Agencies Affected: Miami County.

Information Sources:

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